

Maurice Hinchey NEWS

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Contact: Kevin O'Connell
202-225-6335

HINCHEY URGES VA TO IMPLEMENT RECOMMENDATIONS OF NEW STUDY

WASHINGTON - U.S. Representative Maurice Hinchey (NY-26) today called on the Veterans Administration to immediately change its formula for allocating health care funds. Hinchey, who has long charged that the current formula unfairly takes resources away from veterans in the Northeast, cited a recent study by the General Accounting Office as additional proof of his contention.

"The study conducted by GAO confirms what I have been saying for years," said Hinchey. "That is, that VERA is unfair because it does not allocate resources in proportion to need. The longer the VA delays in correcting the weaknesses in VERA, the more veterans in my district and throughout the Northeast will suffer with inadequate care."

The Veterans Equitable Resource Allocation (VERA) formula determines how much funding should go to veterans' hospitals and clinics in different regions of the country. In each of the last three congresses, Hinchey has tried to pass legislation that would prevent the VA from using VERA because it cuts resources in the Northeast despite a continuing increase in demand for medical services by veterans in the region. Between 1995 and 2001, the VA's Hudson Valley Health Care system cut the number of employees by 34 percent and the number of beds by 52 percent. Meanwhile the number of patients has increased by 76 percent and the number of visits has risen by 84 percent.

The GAO study, which was released in February, examined the effect of VERA on all 22 VA networks in the country. The study found that from 1996 to 2001 VERA shifted the most resources -approximately \$322 million- from Network 3, which includes the Hudson Valley. During the same period that Network 3 was experiencing this 10 percent decline, the VA's total medical care appropriation rose 22 percent and 20 of the 22 networks received larger allocations. Network 3's funding decline occurred despite the fact that it experienced an increase in the number of veterans served of approximately 40 percent.

GAO also found that 18 of the 22 networks spent less for complex care than they received in fiscal year 2000. Of the four networks that ran deficits, Network 3 had the largest, \$42.2 million. The study found that this imbalance is likely caused by an inability to accurately predict the costs of many complex care patients.

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Another flaw identified by GAO is that VERA's calculation of networks' workloads excludes most Priority 7 veterans who do not have a service-connected disability -a growing number of VA's users. Priority 7 is a "higher income" category, but since the VA did not account for differences in the regional cost of living when determining who qualified as Priority 7, many low-income families in high cost-of-living areas are included in the category. Networks in these areas have been denied reimbursement for providing care to veterans who are unable to cover the expense of their care. Network 3 has the highest percentage of Priority 7 veterans of any network, over 35 percent versus a VA average of 22 percent. GAO found that networks with a higher proportion of Priority 7 veterans have fewer resources per patient than networks with a lower percentage.

Because it has been shortchanged by VERA, Network 3 has been the largest recipient of emergency funding from the National Reserve Fund, receiving 43 percent of this supplemental funding over a recent three-year period. The GAO study found that the VA has not examined the root causes of the networks' need for supplemental resources and consequently lacks the information with which to take corrective action.

Having identified the causes of VERA's problems, GAO has made recommendations for corrective measures. The VA, while agreeing with GAO's conclusions and recommendations, would not commit to specific actions and timelines, citing ongoing studies and further consideration. Delay in implementing GAO's recommendations means that approximately \$200 million annually will not be allocated as fairly as it should be.

In each of the last three Congresses, Hinchey and U.S. Representative Rodney Frelinghuysen (R-NJ) have jointly offered an amendment to the VA-HUD Appropriations bill to prevent the Veterans Administration from using the Veterans Equitable Resource Allocation (VERA) formula to allocate veterans medical dollars across the country. The two congressmen also introduced two separate bills on the subject last summer.

The first, called the Veterans Equal Treatment Act, would repeal the VERA formula, and give the VA one year to develop a new formula that is based on need. The second bill is called the Equitable Care for All Veterans Act and would direct the VA to devise and implement a plan to account for regional differentials in health care costs as part of the VERA allocation formula. If, after two years, funding is still allocated in an inequitable manner nationally, the VA would be required to discard VERA and devise a new funding allocation formula.

Hinchey is also a cosponsor of a bill introduced by U.S. Representative Carolyn McCarthy (D-NY), which specifically requires the VA to enroll Priority 7 veterans who are considered low-income families under the United States Housing Act of 1937 in Priority 5. This step would force the VA to reimburse networks for providing care to these veterans when they are unable to cover the expense of their care.